

## Message Text

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47

ACTION TRSE-00

INFO OCT-01 NEA-10 ISO-00 ABF-01 FS-01 SS-20 AGR-20 A-01

COME-00 EB-11 RSC-01 DRC-01 SSO-00 /067 W

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O 051345Z APR 74

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC IMMEDIATE 803

C O N F I D E N T I A L COLOMBO 954

EO 11652: N/A

TAGS: AFIN, CE

SUBJ: ACCOMMODATION EXCHANGE RATE

REF: A) STATE 68154; B) STATE 68513; C) STATE 22586 (DEC 14, 1972)

1. IT IS EXTREMELY DISTURBING TO RECEIVE MESSAGES SUCH AS REFTELS A AND B WHICH CONVEY DECISIONS WHICH SERIOUSLY AFFECT OPERATIONS OF THIS MISSION AND ADVERSELY AFFECT MORALE WITHOUT ANY PRIOR INTIMATION THAT SUCH DECISIONS WERE BEING TAKEN AND WITHOUT BEING PROVIDED OPPORTUNITY TO COMMENT.

2. I HAVE NOTED ARGUMENTS PRESENTED IN REFTEL B AS TO WHY IT IS NECESSARY TO DISCONTINUE FEEC ACCOMMODATION EXCHANGE RATE. I DO NOT UNDERSTAND WHAT CONSIDERATIONS HAVE LED TO DECISION BEING MADE AT THIS TIME. COLOMBO CHANGED FROM EXCESS TO NEAR-EXCESS IN 1970. WHILE TREASURY MAY NOW CONSIDER "NEAR-EXCESS" TO BE "NON-EXCESS", FACT REMAINS THAT EMBASSY HAS BEEN ABLE TO CARRY OUT ITS STATUTORY FISCAL ACTIVITIES AND STILL PROVIDE ACCOMMODATION EXCHANGE AT FEEC RATE WITHOUT PURCHASING RUPEES FROM CENTRAL BANK. WHILE WE MAY WISH TO TREAT LOCAL CURRENCY AS DOLLARS IN FACT ITS PURCHASING POWER IS NOT EQUIVALENT. ALTHOUGH WE ARE PRESENTLY IN A PERIOD OF LIMITED RUPEE AVAILABILITY, WE FULLY EXPECT, WITH ECONOMIES WHICH CAN BE MADE IN BOTH OPERATIONAL AND ACCOMMODATION EXCHANGE AREAS, TO HAVE AVAILABLE RUPEES

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TO MEET REQUIREMENTS THROUGH CURRENT FISCAL YEAR.

FIRST QUARTER FY-75 RUPEE LOAN REPAYMENTS WILL TOTAL ALMOST THREE MILLION RUPEES, ENOUGH TO PROVIDE FOR NORMAL EXPENSES UNTIL END OF CALENDAR YEAR.

3. ADMITTEDLY, DIPLOMATIC PERSONNEL DO NOT RECEIVE FEEC RATE AT LOCAL BANKS AND OTHER EXCHANGE FACILITIES. HOWEVER, LARGE PORTION OF FOREIGN EXCHANGE TRANSACTIONS HERE ARE MADE AT FEEC RATE BY THESE SAME INSTITUTIONS FOR TOURISTS, CARE PERSONNEL, AND UN-SPONSORED SINHARAJA LOGGING PROJECT. WE BELIEVE IT COULD BE ARGUED THAT FEEC RATE IS "PREVAILING RATE" FOR FOREIGNERS AND OFFICIAL RATE IS IN FACT DISCRIMINATORY. FURTHERMORE, SRI LANKA BUSINESSMEN WHO GENERATE FOREIGN EXCHANGE AS WELL AS CEYLONese CITIZENS ABROAD REMITTING FOREIGN EXCHANGE TO SRI LANKA ARE ENTITLED TO FEEC RATE. THUS IT SEEMS APPROPRIATE TO CONTINUE USE OF FEEC RATE FOR ACCOMMODATION EXCHANGE PURPOSES AS LONG AS IT REMAINS UNNECESSARY TO PURCHASE RUPEES FROM CENTRAL BANK, IN ACCORDANCE PARA 4, REFTEL C.

4. MAINTENANCE OF VALUE (MOV) NEGOTIATIONS WHICH ARE ACTIVELY UNDERWAY HAVE PROGRESSED TO POINT WHERE WE FEEL THAT AGREEMENT IS LIKELY TO BE REACHED AND AS RESULT WE WILL HAVE ADDITIONAL RUPEES AVAILABLE FOR NORMAL EXPENDITURES. THESE ADDITIONAL FUNDS WOULD CONSIDERABLY ENHANCE OUR ABILITY TO OPERATE WITHOUT PURCHASING RUPEES, AT LEAST FOR SEVERAL YEARS.

5. FINALLY, IF MOV NEGOTIATIONS ARE SUCCESSFUL, WE WOULD BE PLACED IN ANOMALOUS POSITION WHEREBY USG WOULD RECEIVE RUPEE REPAYMENTS OF LOANS FROM GSL AT RATE HIGHER THAN OFFICIAL RATE, WHILE SELLING THEM TO USG EMPLOYEES AT OFFICIAL RATE, THUS MAKING PROFIT THROUGH EXCHANGE TRANSACTION WITH EMPLOYEES.

6. IN LIGHT OF ABOVE, REQUEST WASHINGTON SUSPEND DECISION ON REVISED EXCHANGE RATE FOR ACCOMMODATION EXCHANGE AND ON NEW ALLOWANCES AT LEAST UNTIL EMBASSYS COMMENTS HAVE BEEN FULLY CONSIDERED AT WHICH TIME DECISION, HOPEFULLY, WILL BE RESCINDED.  
VAN HOLLEN

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